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INDEPENDENT VERIFICATION OF RUSSELL'S CORRECTIVE ACTION PLAN (CAP) FOR JERZEES DE CHOLOMA AND JERZEES DE HONDURAS

Honduras, February 20th, 21st and 22nd 2008

I. Introduction

The Fair Labor Association (FLA) commissioned ALGI to conduct a verification assessment of Russell's Corrective Action Plan (CAP) for both Jerzees de Choloma & Jerzees de Honduras. The original investigation was performed by ALGI in October 2007.

Jerzees de Choloma is located in an industrial park, "ZIP CHOLOMA", approximately 15 kilometers from San Pedro Sula. Jerzees de Honduras is located one kilometer away, at the industrial park "ZIP INHDELVA". Both industrial parks hold domestic and international firms dedicated to the manufacturing of garments for export to the United States.

The unannounced verification process was initiated on February 20th and lasted 3 days. Mrs. Olga Andreu and Mr. Angelo Valdevitt were the monitors designated by ALGI to carry out this verification visit. All verbal communication was in Spanish, the official local language spoken by both facility employees and management. The opening meeting was attended by Mr. Werner Oberholzer, General Manager at Jerzees de Choloma, Mr. Ricardo Trujillo, Director for International Human Resources, Mr. Jose Fernandez, Plant Manager for both Jerzees de Choloma and Jerzees de Honduras and Ms. Nadia Morales, Human Resource Manager for both facilities.

Russell's Corrective Action Plan (CAP) encompassed the following points:

1. Harassment & Abuse:

- i. Training on management techniques
- ii. Performance evaluations for supervisors.
- iii. Modification of disciplinary action forms to allow employees to challenge decisions.
- iv. Internal review of supervisor's performance and disciplinary actions taken against them.

2. Occupational Health & Safety:

- i. Evaluation of hygiene conditions of restrooms and implementation of necessary corrective actions.

3. Freedom of Association (FOA):

- i. Russell's recognition of employees' right to freedom of association and collective bargaining.
- ii. Inclusion of FOA information during induction process.
- iii. Modification of any forms that may contain questions regarding affiliation or membership in associations.
- iv. Evaluation of dismissal records at other Russell's facilities for any abnormalities during the last 6 months and identification of potential violations of FOA.
- v. Creation of a reinstatement plan for union members who were dismissed at both Jerzees de Choloma and Jerzees de Honduras, including back payment and preservation of seniority.
- vi. Recognition of union at Jerzees de Choloma and establishment of dialogue with union members.
- vii. Ensuring that proper hiring, termination and nondiscrimination policies and procedures are in place at both factories.

4. Others:

- i. Adoption of a written retrenchment policy
- ii. Commitment to giving rehiring priority to Jerzees de Choloma workers at other Russell facilities in the Choloma area.
- iii. Facilitate rehiring of retrenched workers in non-Russell factories in the Choloma region.

II. Scope and Methodology

During the verification assessment, monitors conducted onsite and offsite interviews with different stakeholder groups:

- a. Jerzees de Choloma & Jerzees de Honduras management.
- b. Confederación General de Trabajadores (CGT).
- c. Union delegates for both Jerzees Choloma and Honduras.

Extensive review of documentation (policies, procedures and implementation) and confidential employee/supervisor interviews were conducted in order to effectively evaluate corrective actions implemented by Russell.

Furthermore, prior to, and during the assessment, monitors gathered and reviewed web site information, news, allegations or public opinions published that were related to activities at both Jerzees de Choloma and Jerzees de Honduras.

The monitoring team reviewed the following:

1. Jerzees de Choloma and Jerzees de Honduras management systems, specifically hiring, termination and disciplinary policies, procedures and practices.
2. Workers and supervisors records for training conducted after Oct. 1st, 2007.
3. Application, hiring and termination procedures and documentation after Oct. 1st, 2007.
4. Disciplinary actions after Oct. 1st 2007.
5. Personnel files to evaluate termination / transfer procedures and determine consistency with company policy related to Russell's corrective action report, including random selection of files belonging to employees who had been terminated or had resigned during the period October 1st 2007 to February 20th 2008.

The monitoring team interviewed the following participants involved in the Corrective Action Plan:

1. **Mr. Werner Oberholzer**, General Manager who communicated to monitors the company's position in regards to the CAP and their commitment to complete the Corrective Action Plan and maintain standards.
2. **Mr. Ricardo Trujillo**, Director for International Human Resources and **Ms. Nadia Morales**, Human Resources Manager for both Jerzees de Choloma and Jerzees de Honduras. Specific information was provided regarding the modification of factory policies, procedures and implementation of its hiring procedures. Additionally, they informed monitors about the creation and implementation of supervisory training to further communicate and illustrate Russell's policies on Non-Discrimination and Harassment & Abuse.
3. **Mrs. Evangelina Argueta**, delegate of the **Central General de Trabajadores (CGT)**. A briefing was provided regarding the union's meetings with management and the on-going relationship between both parties. Information was also provided regarding arrangements made to rehire employees that had been laid off.
4. **Employees:** 44 employees chosen at random from both Jerzees de Choloma and Jerzees de Honduras. The sample included union delegates, union members and non

union workers. Interviews to gather information related to the facility's attitude towards unions and workers' understanding of their rights regarding Freedom of Association were carried out on-site and off-site. Other topics related to the CAP were covered during interviews (See summary of interviews attached).

III. Verification of Correction Action Plan (CAP) by Russell as a result of the Fact Finding Independent Investigation conducted on Oct. 1st 2007.

HARASSMENT AND ABUSE

1. *Conduct an internal review and take proper disciplinary actions against supervisors who have been found to engage in harassment and abusive treatment of workers – ALGI report (2 supervisors), WRC report (1 production manager & 1 managerial staff).*

- ✓ **ALGI Report:** monitors reviewed personnel folders of both supervisors identified as having engaged in harassment and abusive treatment of workers. Each of the folders contained copies of disciplinary actions and recommendations to attend managerial technique and procedural training.

One of the supervisors in question has been terminated as a result of the downsizing process. The second supervisor is presently in charge of approximately 60 employees. Monitors interviewed 8 employees from her department. Some employees claim that supervisor in question has never been abusive and others stated that there has been improvement in her managerial attitude and that she is no longer abusive.

- ✓ **WRC Report:** monitors confirmed that a production manager mentioned in the Worker Rights Consortium report was terminated in November 2007. A second employee mentioned (staff manager) received a verbal disciplinary action which was recorded in the employee's file. This employee has attended various seminars related to disciplinary actions and managerial skills.

2. *Review disciplinary procedures to allow workers to challenge supervisory decisions and conclusions.*

- ✓ ALGI monitors confirmed that as of October 2007, facility revised the form used to record disciplinary procedures. The form now includes a section for employees

to acknowledge, comment and challenge decisions made during the disciplinary process.

As of October 2007 the following incidents have occurred:

- a. At Jerzees de Choloma there have been six disciplinary actions, two of which have been written, two verbal and two resulting in termination.
- b. At Jerzees de Honduras there have been four suspensions. As per disciplinary proceedings none have resulted in termination.

In the case of the ten employees involved in a disciplinary process, all of them had an updated disciplinary form with sections that allowed them to express their position in their personnel files. Two employees from this group confirmed during interviews that they had been informed of the new procedure which allowed them to give their comments about the accusations made against them.

- ✓ Facility has developed a training program for managers and line supervisors for elements of **managerial procedures** to include hiring, selection of workers, labor contracts, induction, capacity building, motivation and discipline.

The training program was initiated on November 30th 2007 and a refresher course was conducted on February 13th 2008. Monitors reviewed the content of the presentation and the attendance list of supervisors and managers. Additionally, three supervisors were interviewed to confirm their attendance and knowledge of the information received.

3. *Conduct supervisory training on proper management techniques that avoid harassment and abuse and include these elements in the performance evaluation of supervisors and managers.*

- ✓ Russell has instituted a training program for supervisors related to management techniques which has sustainable procedures and controls to prevent harassment and abuse.

The training program was initiated on October 25th 2007 and a refresher course followed on February 13th 2008. Monitors reviewed the content of the presentation as well as the attendance list of supervisors and managers. Additionally, four supervisors were interviewed to confirm their attendance and knowledge of the information received.

- ✓ In the supervisory and managerial evaluation performance review, Fruit of the Loom, Russell's parent company, has added a section named "Respect for People" which intends to measure the supervisor's or manager's ability to recognize people as the facility's most valuable asset. The section also refers to appropriate

communication methods, respect for the open door policy and respect towards others.

In conclusion, Jerzees de Choloma and Jerzees de Honduras policies and procedures currently adhere to the highest standards for prevention of harassment, abuse and discrimination policies. Measures adopted appear to be sustainable and efficient on a long term basis. Communication to both workers and managers is adequate.

OCCUPATIONAL HEALTH AND SAFETY

1. Prioritize inspections and cleaning of restrooms on a predetermined schedule.

- ✓ Facility reinforced its health and safety policies, specifically the scheduled cleaning rounds of restrooms, with responsible persons having to sign a log. Additionally, management also became engaged in continuous supervision of the cleaning staff activities.

Monitors reviewed the log and confirmed that cleaning is performed 10 times per day. Interviews of 30 employees also confirmed that restrooms (male and female) have met hygienic standards for the past 4 months.

FREEDOM OF ASSOCIATION (FOA) AND COLLECTIVE BARGAINING (CB)

1. Issue a statement that will be communicated to all employees and posted in all Russell factories, in local languages, stating that Russell recognizes and respects the rights of employees to FOA and CB.

- ✓ Monitors observed that the new code of conduct which includes the FOA benchmark was posted at various locations in Jerzees de Choloma (four) and Jerzees de Honduras (five).
- ✓ On November 19th 2007, facility distributed a letter to all employees pledging respect to FOA and CB. Monitors observed copies of the letter in each of the personnel files reviewed.
- ✓ Onsite interviews of 44 employees confirmed that on the day they received the letter, the content was also announced over the public announcement system.

2. *Include FOA training in the induction process of all employees.*

- ✓ Monitors were shown the documents and information provided to workers during the induction process. Currently, the process includes the policy regarding freedom of association to ensure that all workers are aware of their rights.
- ✓ It was observed in personnel files reviewed that the facility provides induction training which takes place after the hiring process is concluded and involves communication regarding Benefits, Hours & Wages, Open Door Policy, Harassment & Abuse, Forced Labor, Breastfeeding, Discrimination and the recently added information on Freedom of Association

3. *Eliminate from hiring forms any question regarding prior participation in associations.*

- ✓ As of October 10th 2007, facility has replaced the application form and questions that could be interpreted as discriminatory were removed.

4. *Examine dismissal records in all Russell factories in the last 6 months to identify potential violation of FOA; act proactively to remediate them.*

As of October 10th 2007, at least 4 Russell facilities have been visited by an internal management team and the evaluation of all terminations conducted during this period has not detected any potential violation of FOA.

5. *Offer reinstatement to union members who were dismissed at Jerzees de Choloma and Jerzees de Honduras, with back pay and no loss of seniority.*

- ✓ Both Jerzees de Choloma and Jerzees de Honduras management in cooperation with Confederación General de Trabajadores (CGT) engaged in the process of rehiring employees who, prior to October 2007, had been laid off due to their FOA activities.

Facility contacted employees in question by means of local radio and newspaper. As per the list below, most employees were contacted and given the opportunity to be rehired with full back payment and restitution of their seniority at their positions. Reinstated workers as well as those who were not reinstated received back pay.

- ✓ In the case of Jerzees de Choloma, the facility attempted to notify or did notify 118 workers, while in the case of Jerzees de Honduras the total was 28 workers.

The table below shows a summary of results of the rehiring process at both facilities.

Rehiring Process Results		
	Jerzees de Choloma	Jerzees de Honduras
Total attempted/notified	118	28
Reinstated	49	14
Not Reinstated	67	12
Not located	2	0
Not an employee*	0	1

** In the list provided by the union, there was a person who had never been a worker at Jerzees de Honduras*

6. *Recognize the union at Jerzees de Choloma and start dialogue and collaboration with the union. (Choloma)*

- ✓ Management has recognized the unions which are present at both facilities and holds monthly meetings with their delegates to discuss issues of concern for workers in general such as the improvement of working conditions and the future relocation of workers at Jerzees de Choloma when it closes at the end of March 2008.

7. *Ensure the proper hiring, termination and nondiscrimination policies and procedures are in place at all factories.*

- ✓ Training for managers and supervisors has been instituted for policies and expectations regarding FOA including non discrimination in hiring or termination of prospects or workers who are or have been members of associations. The training includes information on the disciplinary procedures which will be applied in the case of staff violating these policies and procedures.

In conclusion, management has been most proactive in the correction of the FOA issues it faced but due to the imminent closure of the Jerzees de Choloma facility, there is bound to be generalized discontent among workers in the near future since they will be losing their jobs.

OTHERS

1. *Adopt a written retrenchment policy that is based on objective criteria and train managers and inform workers about it. The policy will ensure compliance with domestic law with regard to notice, severance, benefits for certain workers that receive special treatment, and other requirements.*

- ✓ A written retrenchment policy has been adopted that establishes procedures so the termination of workers is done in a fair and non-discriminatory way. The decisions will be made based solely on seniority, skills & abilities and production needs.
- ✓ The policy ensures compliance with domestic law with regard to notice, severance and benefits for workers entitled to special treatment.
- ✓ Managers and all staff responsible for the termination process are trained on this policy and workers are informed about it.
- ✓ Employees have the opportunity to appeal and bring about any concerns to management.

2. *Commit to give hiring priority to Jerzees de Choloma workers at other Russell facilities in the Choloma area.*

- ✓ As per management, the date for the closure of Jerzees de Choloma is the end of March 2008. Ex Jerzees de Choloma workers will be given priority in filling available positions at Jerzees de Honduras (and other Russell facilities in the region).
- ✓ To date, there are 7 employees from the re-instituted group who have been transferred to Jerzees de Honduras.
- ✓ The charts below illustrate the procedure of movement between the transfers out from Jerzees de Choloma to Jerzees de Honduras. While Jerzees de Honduras has absorbed a high percentage of workers from Jerzees de Choloma, not all of them were needed and on the other hand, some workers were not interested in being transferred.

Jerzees de Honduras will continue to receive transfers instead of hiring outside employees. Furthermore, the same transferring procedures are being applied in the other Russell facilities too.

Jerzees de Choloma		
	Hires	Terminations & Transfer- out
October - 07	0	84
November - 07	0	52
December - 07	0	51
January - 08	0	15
Total	0	202

Jerzees de Honduras		
	Hires	Transfer - In
October - 07	0	74
November - 07	1	32
December - 07	1	29
January - 08	1	10
Total	3	145

Russell is trying to relocate the soon to be ex-workers from Jerzees de Choloma to the rest of their facilities in the area, but it will definitely not be able to relocate them all as those factories are already staffed as needed.

3. *Facilitate the reemployment of retrenched workers in non-Russell factories in the Choloma region.*

- ✓ Russell will identify potential job opportunities at facilities of companies located in nearby industrial parks and inform workers about them when they are terminated.
- ✓ Russell provides and will continue providing terminated workers with a time of service certification that will help them as a reference when applying for work at other factories.

A closing meeting was convened on February 22nd 2008. Representing Jerzees de Choloma were Mr. Werner Oberholzer, General Manager, Mr. Ricardo Trujillo, Director for International Human Resource, Mr. Jose Fernandez, Plant Manager, Ms. Nadia Morales, Human Resources Manager and representing ALGI were Mr. Angelo Valdevitt and Mrs. Olga Andreu. Monitors provided Jerzees de Choloma attendees with comments on the results of the verification.

During the course of the audit, both facilities were highly cooperative and receptive to the changes requested in the corrective action plan of the prior visit. They have shown sincere

interest in achieving compliance, with new procedures, training and follow-up actions resulting from earlier suggestions.

Submitted February 28th 2008
Angelo Valdevitt
ALGI

ATTACHMENT 1

ALGI selected 44 employees. In both plants, interviews were conducted in the cafeteria, away from the presence of management as well as offsite. All interviewees were informed of the confidential nature of the interviews and that they could not be targeted or punished for speaking to the monitors.

The selection of interviewees was structured to be gender based and workers from different production areas were selected, including union delegates, union affiliates, re-integrated employees and non union workers to ensure a fair representation of the work force. The questions were specifically related to the corrective action plan as developed by Russell.

Summary of Interviews				
Benchmark	Total interviewed	Confirms Compliance	Expresses Dissatisfaction	No Comments
Harassment & Abuse (Supervisors)	35	33	2	0
Health and Safety (Restrooms)	30	30	0	0
Freedom of Association (Facility anti-union behavior)	44	34	6	4
Freedom of Association (Reinstatement process)	27	27	0	0
Retrenchment	44	0	19	25